



SF 2113 – Fireworks (LSB1107SW)

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Fiscal Note Version – New

Description

[Senate File 2113](#) legalizes the sale and use of consumer fireworks and novelties in the State of Iowa. It also establishes an opt-in policy allowing counties, and then cities within those counties wanting to legalize the sale and usage of fireworks within their jurisdictions, to first pass a resolution stating that intent.

Background

The State Fire Marshal Division of the Department of Public Safety (DPS) is directed to:

- Establish a consumer fireworks seller license, including a fee schedule.
- Require all wholesalers to register.
- Adopt rules to enact various parts of the bill.
- Establish a local fire protection and emergency medical service providers grant program to establish or provide fireworks safety education programming to members of the public.
- Enforce all laws and rules relating to this legislation.

Revenue from seller license fees and wholesaler registrations are to be deposited in the Consumer Fireworks Seller License Fee Fund under the control of the State Fire Marshal for the administration and enforcement of consumer fireworks and novelties sales. The bill establishes annual license fees for retailers and community groups offering fireworks for sale, and creates the definition of a consumer fireworks wholesaler and establishes a registration fee of \$1,000. There is no information available to estimate how many licenses and registrations will be issued. Annual license fees and wholesaler registration are established as follows:

- Retailer with 50.0% or more of floor space devoted to fireworks: \$800.
- Retailer with less than 50.0% of floor space devoted to fireworks: \$400.
- Community group offering first-class consumer fireworks for sale: \$400.
- Community group offering second-class consumer fireworks for sale: \$100.
- Wholesaler registration fee: \$1,000.

The bill also establishes simple misdemeanors for violation of various requirements, with a fine of at least \$250 but no more than \$625. Simple misdemeanors also generate a 35.0% criminal penalty surcharge and \$60 in court costs.

- Simple misdemeanor fines are deposited in the General Fund.
- Criminal penalty surcharges are distributed as follows:
 - 5.0% goes to the local government where the ticket is written.
 - 95.0% goes to the state. Of that 95.0%, 17.0% goes to the Victim Compensation Fund and 83.0% goes to the General Fund.
- Court costs are deposited in the General Fund.

There is no information available to estimate how many simple misdemeanor tickets will be written for violations of this bill. The bill also states that a simple misdemeanor charge can occur for violating the hour limitations on fireworks usage, but not imprisonment.

Assumptions

Expenditures. The DPS estimates 2.0 FTE positions (a fire inspector and a budget analyst) will be needed to implement [SF 2311](#) for the entire state. Salaries and support are estimated to be \$164,000 for FY 2017 and \$141,000 for FY 2018 and subsequent years. Support costs include two computers, a vehicle, fuel, a gun, travel, and miscellaneous.

With an opt-in system, it is assumed there will be a longer phase-in period, and the costs to implement the bill will take longer to be realized. At this time, it is not possible to estimate how many counties and cities will choose to opt in and pass resolutions to legalize fireworks.

Revenue. The estimate of sales tax revenue uses the following assumptions:

- Taxable sales of consumer fireworks for the states of Indiana and Maine in calendar year (CY) 2014 were adjusted (by the Department of Revenue and Finance) to estimate a per-capita sale of fireworks amount for Iowa. This resulted in an initial fireworks sales revenue estimate of \$19.4 million for Iowa. For comparison purposes:
 - Missouri reported \$36.0 million in taxable sales of fireworks for FY 2014. At the 4.225% sales tax rate in Missouri, this is \$1.5 million in sales tax revenue. If the Missouri sales tax rate was equal to the Iowa sales tax rate (6.0%), the Missouri fireworks sales would have generated \$2.2 million in sales tax revenue.
 - Michigan reported \$31.1 million in taxable sales of fireworks in FY 2014. The Michigan tax rate is 6.0%, and this yielded \$2.1 million in sales tax revenue.
- Growth in sales tax revenue as estimated at the December 2015 meeting of the Revenue Estimating Conference (REC) was used to estimate future growth in fireworks sales for FY 2016 (3.1%) and FY2017 (2.7%). FY 2018 through FY 2020 sales tax growth is estimated at 2.5% per year.
- The sales tax rate is 6.0%, and the effective local option sales tax (LOST) rate is 0.87%.

Fiscal Impact

Expenditures. To recoup the full \$164,000 of estimated costs for the State Fire Marshal Division to administer the bill, will require sale and collection of approximately 205 retail licenses (at \$800 each), or 410 retail licenses (at \$400 each), or a combination of the two. For comparison purposes:

- Missouri has 1,200 seasonal retailers, 75 wholesale/retail distributors, 50 special fireworks distributors, and 10 wholesalers.
- Oklahoma has 14 distributors and 31 wholesalers.
- Michigan issued 676 nonpermanent and 215 permanent licenses in FY 2014.

It is not known at this time how many retailers and community groups in Iowa will apply for licenses. It is assumed that the majority of licenses issued will be for retailers. Additionally, it will take a longer period of time for businesses to apply for licenses as counties and cities will need to opt in before license applications are submitted and licenses issued.

Revenue. Sales tax revenue deposits to the General Fund are estimated to range from zero, assuming no counties opt in for legalization, to \$1.2 million for FY 2017 if all 99 counties and all cities within Iowa were to opt in. Outlying years are adjusted for the December 2015 REC sales tax growth estimate. The LOST revenue is estimated to be \$162,000 in FY 2017 and \$167,000 in FY 2018 with full implementation across the state.

Estimated Fireworks Revenues

Fiscal Year	Estimated Maximum Total Sales	Estimated Maximum Sales Tax Revenue	Estimated Maximum LOST Revenues
2017	\$20,541,438	\$1,232,486	\$178,711
2018	21,054,974	1,263,298	183,178
2019	21,581,348	1,294,881	187,758
2020	22,120,882	1,327,253	192,452
2021	22,673,904	1,360,434	197,263

Correctional Impact

This is a new program and the amount of misdemeanor fines collected under this law cannot be estimated. Revenue collected from misdemeanor fines collected under current law (anyone selling or exploding a firework) will be reduced. In 2014, there were 21 convictions under this law. The correctional impact will be negligible.

Sources

Iowa Department of Revenue and Finance

Iowa Department of Public Safety

Iowa Department of Human Rights, Division of Criminal and Juvenile Justice Planning

Missouri Department of Revenue

Michigan Licensing and Regulatory Affairs

/s/ Holly M. Lyons

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
